

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Jackson Narcotics Enforcement Agency	County Jackson
Fiscal Year End December 31, 2007	Opinion Date May 16, 2008	Date Audit Report Submitted to State May 16, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

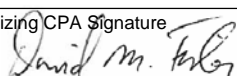
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 517-787-6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name David M. Fisher, CPA		License Number 10337

**JACKSON NARCOTICS  
ENFORCEMENT TEAM (JNET)**

**Jackson, Michigan**

**FINANCIAL STATEMENT  
AND  
SUPPLEMENTAL INFORMATION**

**For The Year Ended  
December 31, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

# **JACKSON NARCOTICS ENFORCEMENT TEAM (JNET)**

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**REHMANN ROBSON**

*Certified Public Accountants*

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**Independent Auditors' Report**

May 16, 2008

To the Board of Directors  
Jackson Narcotics Enforcement Team (JNET)  
Jackson, Michigan

We have audited the accompanying statement of cash receipts and disbursements of the ***Jackson Narcotics Enforcement Team (JNET)*** (a cooperative of governmental agencies) for the year ended December 31, 2007. This financial statement is the responsibility of JNET's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of cash receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 1, this financial statement was prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of ***JNET*** for the year ended December 31, 2007, on the basis of accounting described in Note 1.

*Rehmann Robson*

# JACKSON NARCOTICS ENFORCEMENT TEAM (JNET)

## Statement of Cash Receipts and Disbursements

**For The Year Ended December 31, 2007**

	Unrestricted Fund	Non- Adjudicated Forfeiture Fund	All Funds Combined
<b>CASH RECEIPTS</b>			
Seizures in custody	\$ -	\$ 109,872	\$ 109,872
Forfeitures:			
Transfer from the Non-Adjudicated Forfeiture Fund	122,342	-	122,342
Other	61,209	-	61,209
Contributions	252	-	252
Interest	13,050	-	13,050
Restitution	685	-	685
Bonds	-	77,339	77,339
Other income	381	-	381
<b>TOTAL CASH RECEIPTS</b>	<b>197,919</b>	<b>187,211</b>	<b>385,130</b>
<b>CASH DISBURSEMENTS</b>			
Forfeiture expense	7,833	-	7,833
Investigative expense	6,903	-	6,903
Seized funds:			
Transfer to the Unrestricted Fund	-	122,342	122,342
Returned to claimant	9,112	79,341	88,453
Communications	7,615	-	7,615
Personnel	62,063	-	62,063
Training	1,095	-	1,095
Equipment	1,082	-	1,082
Utilities	4,895	-	4,895
Office supplies	18,612	-	18,612
Repairs and maintenance	6,411	-	6,411
Vehicle reimbursement	48,381	-	48,381
Vehicles	544	-	544
Highway interdiction	3,776	-	3,776
Prosecutor expense	11,118	-	11,118
Administrative	6,052	-	6,052
<b>TOTAL CASH DISBURSEMENTS</b>	<b>195,492</b>	<b>201,683</b>	<b>397,175</b>
<b>EXCESS OF CASH RECEIPTS OVER (UNDER)</b>			
<b>CASH DISBURSEMENTS</b>	<b>2,427</b>	<b>(14,472)</b>	<b>(12,045)</b>
<b>CASH AND INVESTMENTS - Beginning of year</b>	<b>264,775</b>	<b>70,610</b>	<b>335,385</b>
<b>CASH AND INVESTMENTS - End of year</b>	<b>\$ 267,202</b>	<b>\$ 56,138</b>	<b>\$ 323,340</b>

The accompanying notes are an integral part of this financial statement.

# JACKSON NARCOTICS ENFORCEMENT TEAM (JNET)

## Notes To Financial Statement

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### 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The Jackson Narcotics Enforcement Team (JNET) (a cooperative of governmental agencies) was organized to create a cooperative unit of narcotics investigators comprised of personnel from municipal, county and state law enforcement agencies within the County of Jackson.

**Basis of Accounting** – The accompanying statement of cash receipts and disbursements has been prepared on the cash basis of accounting and is not intended to be a presentation in accordance with generally accepted accounting principles. Differences between the cash basis of accounting and generally accepted accounting principles include the following:

- Capital assets owned by JNET are recorded as disbursements rather than capitalized and depreciated.
- Receipts and disbursements are recorded when received or disbursed rather than on the accrual basis.
- Transfers of forfeiture monies between funds are recorded as receipts and disbursements rather than interfund transfers.

The funds of JNET are as follows:

**Unrestricted Fund** – The Unrestricted Fund is used to record cash receipts and disbursements related to the general operations of JNET. Included in cash receipts from forfeitures are transfers from the Non-Adjudicated Forfeiture Fund and allocations from other law enforcement agencies.

**Non-Adjudicated Forfeiture Fund** – The Non-Adjudicated Forfeiture Fund is a trust fund that accounts for cash seized from defendants upon arrest in accordance with the laws of the State of Michigan. This cash remains in trust until the ultimate settlement of the case, at which time the cash is transferred to the Unrestricted Fund, transferred to another governmental agency or returned to the defendant. All cash balances at December 31, 2007 in the Non-Adjudicated Forfeiture Fund pertain to active cases.

Seized property other than cash is not accounted for in the financial statement unless it is subsequently forfeited and converted to cash. Such cash receipts are accounted for in the Unrestricted Fund.

**Donated Services** – Substantial services related to the utilization of personnel and personal property are contributed by cooperating law enforcement agencies. The value of these services has not been recognized in the financial statement since the statement is prepared on the basis of cash receipts and disbursements. Any legal proceedings resulting from the actions of such personnel or the use of donated personal property are the responsibility of the donor agency.

# JACKSON NARCOTICS ENFORCEMENT TEAM (JNET)

## Notes To Financial Statement

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### 2. CASH AND INVESTMENTS

JNET's cash and investments at December 31, 2007, are as follows:

	<b>Unrestricted <u>Fund</u></b>	<b>Non- Adjudicated Forfeiture <u>Fund</u></b>	<b>All Funds <u>Combined</u></b>
Cash on hand	\$ 7,000	\$ 45,683	\$ 52,683
Bank checking account	6,967	-	6,967
Bank savings account	13,358	-	13,358
Cash on account with County Treasurer	<u>239,877</u>	<u>10,455</u>	<u>250,332</u>
<b>Total cash and investments</b>	<b><u>\$ 267,202</u></b>	<b><u>\$ 56,138</u></b>	<b><u>\$ 323,340</u></b>

The balance in the accounts of the bank was \$22,117, which was entirely covered by federal depository insurance. It is impractical to determine the bank and insured balance of the cash on account with the Jackson County Treasurer since this balance is part of a pooled account.

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## **SUPPLEMENTAL INFORMATION**





# REHMANN ROBSON

*Certified Public Accountants*

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May 16, 2008

To the Board of Directors  
Jackson Narcotics Enforcement Team (JNET)  
Jackson, Michigan

We have audited the statement of cash receipts and disbursements of ***Jackson Narcotics Enforcement Team (JNET)*** (a cooperative of governmental agencies) for the year ended December 31, 2007. Our audit was made for the purpose of forming an opinion on that financial statement. The supplemental information on page 6 is presented for purposes of additional analysis and is not a required part of the statement of cash receipts and disbursements. Such information has been subjected to the procedures applied in the audit of that financial statement and, in our opinion, is fairly stated in all material respects in relation to such financial statement.

**JACKSON NARCOTICS ENFORCEMENT TEAM (JNET)**  
**UNRESTRICTED FUND**

**Schedule of Cash Receipts and Disbursements**  
**Budget and Actual**

**For The Year Ended December 31, 2007**

	(Unaudited) Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>CASH RECEIPTS</b>			
Forfeitures	\$ 209,185	\$ 183,551	\$ (25,634)
Contributions	330	252	(78)
Interest	6,300	13,050	6,750
Restitution	200	685	485
Other income	100	381	281
<b>TOTAL CASH RECEIPTS</b>	<b>216,115</b>	<b>197,919</b>	<b>(18,196)</b>
<b>CASH DISBURSEMENTS</b>			
Forfeiture expense	7,000	7,833	(833)
Investigative expense	16,500	6,903	9,597
Return to claimant	3,000	9,112	(6,112)
Communications	9,000	7,615	1,385
Personnel	69,000	62,063	6,937
Training	3,900	1,095	2,805
Equipment	975	1,082	(107)
Utilities	5,580	4,895	685
Office supplies	11,350	18,612	(7,262)
Repairs and maintenance	6,080	6,411	(331)
Vehicle reimbursemen	70,000	48,381	21,619
Vehicles	1,200	544	656
Highway Interdictior	-	3,776	(3,776)
Prosecutor expense	1,200	11,118	(9,918)
Administrative	6,700	6,052	648
<b>TOTAL CASH DISBURSEMENTS</b>	<b>211,485</b>	<b>195,492</b>	<b>15,993</b>
<b>EXCESS OF CASH RECEIPTS OVER CASH DISBURSEMENTS</b>	<b>\$ 4,630</b>	<b>\$ 2,427</b>	<b>\$ (2,203)</b>



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



May 16, 2008

To the Board of Directors of the  
Jackson Narcotics Enforcement Team  
Jackson, Michigan

We have audited the financial statements of the ***Jackson Narcotics Enforcement Team*** (JNET) for the year ended December 31, 2007, and have issued our report thereon dated May 16, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated February 7, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of JNET. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on February 18, 2008.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by JNET are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. No significant accounting estimates were included in the account balances for the year ended December 31, 2007.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We found there to be no misstatements.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 16, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Entity’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of JNET and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

# **Jackson Narcotics Enforcement Team**

## **Comments and Recommendations**

**For the Year Ended December 31, 2007**

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In planning and performing our audit of the financial statements of the Jackson Narcotics Enforcement Team (JNET) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control that we consider to be significant deficiencies, as defined above.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

### **Other Matters**

During our audit fieldwork we examined bank statements and in cases where there were reconciling items between the book and the bank balance, we requested to see bank reconciliations. It was noted that this reconciliation process is performed electronically and once complete, the software states that the account has been reconciled. However, there is no report that details the reconciling items or is there any documentation generated/maintained in order to prove this has been done.

In order to enhance internal controls in this area, we recommend that the bank reconciliations be completed monthly, and is documented by a hard copy form which details the reconciling items between the book and the bank balance. In addition, this reconciliation should be initialed and dated by both the preparer and the reviewer to provide a complete audit trail.

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